

# *Multistate Tax Commission*



## **NOTICE OF PUBLIC HEARING**

regarding a

## **PROPOSED DEFINITION OF "GROSS RECEIPTS"**

The MULTISTATE TAX COMMISSION will conduct a public hearing regarding a proposed definition of the term "gross receipts" for the purpose of receiving comments from the public on whether the Commission should adopt the proposal as a uniformity recommendation to the States. This hearing session will be held at the following location on the date and at the time specified:

**THURSDAY, JULY 8, 1999, 2:30 P.M. (EASTERN)**

Hall of the States Building

444 North Capitol Street, N.W., Suite 231

Washington, D.C. 20001-1538

The MTC Uniformity Committee drafted a definition of "gross receipts" as a proposed amendment to the definitions section of the MTC regulations, Reg.IV.2.(a). See "Original Draft" included with this notice. The term "gross receipts" currently is not defined in UDITPA or in the MTC regulations. The term appears in UDITPA §1(g) in the definition of "sales" and becomes applicable in the MTC sales factor regulations under UDITPA §§15-17 and in various MTC regulatory provisions under UDITPA §18. The hearing officers have made suggested revisions to the Original Draft to account for comments received from interested state tax agency and business representatives. See "Revised Draft I" included with this notice.

Public comment is sought on both the Original Draft and the Revised Draft I. Specifically, interested parties are requested to submit their comments on whether the specific language of either or both of the proposals sufficiently defines the term "gross receipts" and to identify potential difficulties that may arise in the application of the definition. General comments also are encouraged regarding whether the Commission should consider adoption of either of these proposals. Please submit all questions, comments and correspondence regarding this hearing matter to:

Roxanne Bland, Assistant Hearing Officer

444 N. Capitol Street, N.W., Suite 425

Washington, D.C. 20001-1538

Phone: (202) 624-8699; Fax: (202) 624-8819; E-mail: [rbland@mtc.gov](mailto:rbland@mtc.gov)

All interested parties are invited to participate in this public hearing. Those wishing to make formal oral presentations are requested to notify the hearing officers in writing at least two (2) working days prior to the hearing date. Written comments are acceptable and encouraged and may be provided any time prior to or on the hearing date or by such later date as may be announced for the closing of the public hearing period. Interested parties may participate via telephone by dialing (703) 736-7307 at the time indicated for the hearing. Advise the operator that you wish to participate in the "gross receipts hearing" teleconference moderated by Roxanne Bland. The confirmation number for the call is 1632481.

### Proposed Definition of "Gross Receipts"

ORIGINAL DRAFT	REVISED DRAFT I
<p>"Gross receipts" are the gross amounts realized (the sum of money and the fair market value of other property or services received) on the sale or exchange of property, the performance of services, or the use of property or capital (including rents, royalties, interest and dividends) in a transaction which produces business income, in which income or loss is recognized (or would be recognized if the transaction were in the United States) under the Internal Revenue Code. Amounts realized on the sale or exchange of property are not reduced for basis or cost of goods sold or property sold. Gross receipts do not include such items as repayment, maturity, or redemption of the principal of a loan, bond, certificate of deposit or similar instrument, the gross principal amount received under a repurchase agreement or other transaction properly characterized as a loan, proceeds from issuance of the taxpayer's own stock or from sale of treasury stock, damages and other amounts received as the result of litigation, property acquired by an agent on behalf of another, tax refunds and other tax benefit recoveries, pension reversions, contributions to capital, or income from forgiveness of indebtedness. Exclusion of an item from the definition of "gross receipts" is not determinative of its character as business or nonbusiness income.</p>	<p>"Gross receipts" are the gross amounts realized (the sum of money and the fair market value of other property or services received) on the sale or exchange of property, the performance of services, or the use of property or capital (including rents, fees royalties, interest and dividends) in a transaction which produces business income, in which the income or loss is recognized (or would be recognized if the transaction were in the United States) under the Internal Revenue Code. Amounts realized on the sale or exchange of property are not reduced for the cost of goods sold or the basis of property sold. Gross receipts, even if business income, do not include, for example, such items as:</p> <ol style="list-style-type: none"> <li>1) repayment, maturity, or redemption of the principal of a loan, bond, or mutual fund or certificate of deposit or similar marketable instrument;</li> <li>2) the principal amount received under a repurchase agreement or other transaction properly characterized as a loan;</li> <li>3) proceeds from issuance of the taxpayer's own stock or from sale of treasury stock;</li> <li>4) damages and other amounts received as the result of litigation;</li> <li>5) property acquired by an agent on behalf of another;</li> <li>6) tax refunds and other tax benefit recoveries;</li> <li>7) pension reversions;</li> <li>8) contributions to capital (except for sales of securities by securities dealers);</li> <li>9) income from forgiveness of indebtedness; or</li> <li>10) amounts realized from exchanges of inventory that are not recognized by the Internal Revenue Code.</li> </ol> <p>Nothing in this definition shall be construed to modify, impair or supersede any provision of Section IV.18.</p>